



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Tuesday, June 3, 2003

Grassley Urges Awareness of U.S. Businesses' Experience in Mexico

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today urged key government officials speaking at an event on U.S.-Mexican investment to make clear to participants that investing in Mexico can be negative, given the experience of U.S. producers of high fructose corn syrup in Mexico.

Grassley's letter went to Secretary of Commerce Donald L. Evans, Under Secretary of Commerce Grant D. Aldonas, and Under Secretary of State Alan P. Larson. The text follows.

June 3, 2003

The Honorable Donald L. Evans
Secretary of Commerce
U.S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Secretary Evans:

I am writing with regard to the *Partnership for Prosperity Entrepreneurial Workshop* scheduled for June 9-10 in San Francisco. It is my understanding that you will speak at this conference.

As you know, one of the purposes of the workshop will be to provide information to U.S. businesses on how to invest in Mexico. Likewise, Mexican companies will receive information on investing in the United States.

I support the goals of the conference. I recognize that the United States and Mexico have the potential to benefit from increased cross-border commerce. For this reason, I strongly backed the passage of the North American Free Trade Agreement (NAFTA).

I am acutely aware, however, that one group of U.S. investors is not satisfied with its experiences

in Mexico. U.S. producers of high fructose corn syrup (HFCS) invested heavily both in the United States and Mexico based upon the promises of the NAFTA. These businesses recognized that the NAFTA, as properly implemented, would increase sales of their product in Mexico.

Yet Mexican officials have worked actively to block sales of HFCS within their country's borders. Mexico now imposes a tax of up to 20 percent on soft drinks containing this ingredient. As a result of the tax, sales of HFCS in Mexico have plummeted. U.S. exports of this product to Mexico are now at almost zero levels, and the continued viability of HFCS production in Mexico – including production by U.S. companies with facilities there – is now in question. Mexico's tax harms not only HFCS manufacturers, but also U.S. corn producers who supply corn for HFCS plants in both countries.

Mexico's HFCS tax is discriminatory. It is clearly intended to benefit Mexico's sugar producers at the expense of the U.S. HFCS industry. Moreover, Mexico imposed this tax following rulings of NAFTA and World Trade Organization panels that Mexico's 1998 decision to impose antidumping duties on U.S. produced HFCS violated Mexico's trade obligations.

Mexico's treatment of a major foreign investor, the HFCS industry, calls into question whether Mexican government officials are truly committed to attracting, and keeping, foreign investment in their country. With this view in mind, I hope that you will make it clear to participants at the *Partnership for Prosperity Entrepreneurial Workshop*, as well as to Mexican officials who attend, that the experience of U.S. investors in Mexico is not always positive. The negative experiences of the U.S. HFCS industry exemplify the risks of investing in Mexico. U.S. businesses should be made aware of both the benefits and the pitfalls of investing in that country. Likewise, Mexican officials attending the conference should realize that U.S. government officials are not overlooking Mexico's treatment of current investors.

This letter is also being sent to Under Secretary of Commerce Grant D. Aldonas and Under Secretary of State Alan P. Larson, both of whom are scheduled to speak at the San Francisco conference.

Thank you for your attention to this important matter.

Sincerely,

Charles E. Grassley

cc: Grant D. Aldonas
Under Secretary for International Trade

Alan P. Larson

Under Secretary of State